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SLOW INDUSTRIAL OUTPUT GROWTH EVIDENCE-BASED ON KOHAT ROAD INDUSTRIAL ESTATE PESHAWAR-PAKISTAN

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ABSTRACT

The past decade has seen slowdowns in measured labor productivity growth across a broad swath of developed economies. The industrial sector grew 5.02 per cent in the outgoing fiscal year as opposed to the growth rate of 5.8pc recorded a year ago, in Pakistan. The main objective of this research is to examine the small industrial performance in Peshawar-Pakistan. KPK is the smallest province in terms of area, among the four provinces, and the third-largest in terms of population. This study is about the total units Kohat road 124 industrial estates and 71 are closed which has spawned many social evils such a phenomenal increase in smuggling, trade and macro-unemployed youths indulge in illegal commercial ventures. The results show that the contribution of small-scale industrial sector toward the socio-economic development of the province is not significant. Furthermore, the main reasons are inconvenient location (away from the seaport), non-availability of skilled labor, inconsistent government policies, the dearth of local capital, lack of infrastructure and comparatively poor law and order situation, due to Afghan War, and operation in tribal areas. Nonetheless, certain policy recommendations were suggested based on the finding.

Keywords: Socio-economic development, Labor productivity growth, Industrial growth, KP

INTRODUCTION

The word industry refers to the manufacturing of goods and services within a category. The industry consists of all the firms involved in the same type of business. Industrial sector plays important role in the development of the country (Alloway and Tracy 2015; Andrews, et al., 2015). The industrial sector is developed, when there are infrastructure facilities. It creates employment opportunities which in turn raise employment level which lead to increase income and consumption, (Brynjolfsson et al., 2011; Byrne et al., 2016; Byrne et al., 2013).

In the United States, aggregate growth in labor productivity averaged 1.3 per cent annually from 2005 to 2015, less than half of the annual average growth rate of 2.8 per cent Continued through 1995-2004 (Cardarelli et al., 2015; Cetto et al., 2017). Decelerations of similar size were observed between these two periods of productivity growth in 28 of the 29 other countries for which the OECD has compiled data (Domar and Evsey, 1961). The drops in productivity growth seemed paradoxical to some, given the brisk speed of technological developments and a plethora of new goods launched and diffused around the world during the period of slowdown (Feldstein et al., 2012; Jonathan A et al., 2013; Hatzius et al., 2015).

The Industry sector accelerates economic growth and enhances people welfare in a country. The industrial is developed the problems of the country like socio-economic objectives, like employment, poverty, gender inequality, is finished in the country (Houseman et al., 2011; Jacobson et al., 1993). The contribution of large-scale industries is important for development, but the role of small industries is also can't be ignored. Kohat road is an important industrial city (Jorgenson et al., 2008; Wolfe and Raymond 2015). In Kohat road, there is a big industrial estate which plays a key role for the development of the small industrial sector in Peshawar, but it faces excessive problems representing itself (Harrison et al., 2011).

The industrial sector does not have a rapid growth in Peshawar. Industrial development in Peshawar is not too good (Holmes and Thomas J. 2011; Houseman et al., 2015). Although the govt. is contributing a large share of the budget to this sector even then its growth rate is slow. The present study has been conducted to identify the main problems of industries (NWFP ADP, 2002). The KPK govt. in its various development plans at the local level tried to increase its growth. The present study describes the causes of slow industrial output growth, especially the small-scale Industries (SDA NWFP survey 2002).

However, the specific objectives of this study include: to examine the small industrial performance in Peshawar-Pakistan, to review the small-scale industry in Peshawar, to identify the main hurdles in the industrial growth in the study area, and to make policy for the large output growth rate.

The rest of the paper designed into four sections: section two discusses the related literature review of the study, section three deliberates on the methodology used to achieve the objective of the study, and section four is the analysis and discussion of the findings while section five concludes the paper, and suggest the certain recommendations.

LITERATURE REVIEW

There is plenty of research work on the role of small-scale industrialization in economic development at the local, national and international level in the developing countries. Some have mentioned the importance of industrialization. Many have pointed out its role in the economy of a country. Many economists have pointed out the industrial problems of the country but still, this sector is facing many problems and its growth rate is on the decline. In

the industrial sector, the growth stands at 3.49 percent in the outgoing fiscal year with the contribution of mining and quarrying sector growth of 7.58 percent, manufacturing 3.51 percent (large scale manufacturing 2.83 percent and small scale 8.23 percent), slaughtering 3.54 percent, electricity generation & distribution and gas distribution negative minus 3.20 percent, construction 5.18 percent Out of the GDP growth estimates of 3.6 percent for 2012-13, the agriculture sector grew by 3.35 percent, industrial sector 3.49 percent and services sector 3.71 percent producing sectors 3.71 percent (Klein et al., 2003; Lawrence et al., 2013).

Review of Relevant Studies

According to the (Win Borg 1990-2000), reports small business finance has been focused on the supply of capital, departing from a rather narrow definition of finance referring mainly to "capital" as such. In this study researcher elaborate small business finance has to originate from the small business manager's logic, and the definition of finance has to be extended to include the different resources needed in the business. In line with this reasoning, this study focuses on small business managers' use of measures to meet the need for resources without using external capital from institutional sources, called financial bootstrapping measures. The focus on resources needed makes us believe that the resource-based theory can be fruitful to help us understand small business finance. The research process was initiated with a number of exploratory interviews. Based on this empirical framework, together with a literature study, a questionnaire was constructed and sent to 900 small business managers in Sweden. From the explorative interviews, a total of 32 different bootstrapping measures were identified. The bootstrapping measures were separated into two comprehensive groups of measures; (i) measures intending to reduce the need for capital, and (ii) measures used in order to meet the need for capital. The cluster analysis undertaken resulted in the identification of six clusters of bootstrappers, differing fundamentally from each other concerning the use of bootstrapping measures. Furthermore, independent variables discriminating between the six clusters were isolated to get a picture of the typical business in each cluster. Based on these pictures the six clusters were labelled: (1) delaying bootstrappers, (2) relationship-oriented bootstrappers, (3) subsidy bootstrappers, (4) minimizing bootstrappers, (5) non-boots trappers and finally, (6) the private owner financed bootstrappers. For future research and policymaking, we would like to emphasize the importance of broadening the focus when discussing small business finance, to include the small business manager's logic encompassing the resource acquisition process as such, to better understand the way small business managers, handle capital requirements.

John Stan worth (1991), Researches the UK small business sector to update the landmark report of the government-appointed Committee of Inquiry on Small Firms, more commonly known as the Bolton Report of 1971. The Bolton Report was a problem-oriented analysis of this sector, focusing on the role of small firms in economic development, and providing international comparisons, as a basis for policy recommendations. Since then, and in part because of the report's influence, government policies have been developed to aid small business, and stimulate entrepreneurial activity and innovation. The next step is to research regional entrepreneurial activity, in order to ascertain the effect of potentially divisive regional policies on small business (Lawrence et al., 2013; Klein et al., 2003). The problems identified by small business owners remain relatively unchanged, according to surveys conducted by the

Small Business Research Trust from 1984-1991. The Bolton report focused on govt. burdens, and indeed, conclusions from the surveys show that small business owners are more concerned about costs and the govt. taxation is still rated as the biggest burden. A review of small business taxation since the Bolton report finds that policy should promote efficiency rather than maximize employment -- as the Bolton Report had previously suggested -- since small firms do not tend to develop significantly, nor produce high levels of output. The relationship between the small business sector and the banks that finance them is analyzed, and a 'no secrets' relationship is suggested, to facilitate trust and manage risk. The previously overlooked resource of non-owning managers who tend to oversee operations once the small business has exceeded 20 employees is examined. Socioeconomic changes that will affect small businesses in the future include increasing fragmentation of the economy, the rise in the service sector, policy changes and, perhaps most importantly, the adoption of an enterprise culture in the UK.

Haq (2002), research on SME's foundation for large scale firms is of the view that if the large firm tended to become less dynamic or useless to expound employment over time, vigorous SME's sector would be all the work important (Hall and Robert, 2016). It can create desirable completion for large firms, contribution to output, employment and lay the foundation for the large firms of the future. SME's also act as a channel for new entrants into enterprise perennial class mobilizing tenants which might otherwise, has relatively little chance to courage. Some of these entrepreneurs eventually join the large-scale sector when their firms grow.

Hassan (2001), describes that the development of small-scale industries has a socio-economic imperative for the country. It needs a small amount of capital generates great employment opportunities determinates widely the benefits of economic growth have short gestation period and caries the fruits of industrialization to ruler areas, Small industries have shown a remarkable resilience even in adversity given an appropriate framework for their development the small-scale industry growth can play a significant role in export, led the expansion of the economy.

Agarwal (2004), study the role of financing choice of firms in developing countries using a dynamic panel approach with aggregate firm-level data. The result suggests that equity market development favours equity financing over debt financing, while banking sector development favours debt financing over equity financing, as one would expect. However, surprisingly, equity markets exhibit somewhat stronger influence in the short run then they do over the long run. Results from the dynamic panel model show that if both element of the financial sector develop simultaneously, the long-run debt-equity ratio while rising, will converge to a stable value.

H Khan (2012), examined the full of praises for the economic management of the previous regime during (2002-2008). The acknowledged doubling of the GDP and per-capita income in dollar terms, tripling of international trade, real GDP growing at an average rate of over seven percent during most of the period, improved macroeconomic performance enabling Pakistan to re-enter the international capital markets in the mid-2000, buoyant output growth, low inflation and the govt. social policies contributed to the reduction in poverty and an improvement in many social indicators, while the govt. could not hide, facts from the IMF. It

did so deliberately from its people by presenting them with a distorted picture of the economy.

Summary

The above review of the literature shows all previous studies highlighted the importance of industrialization. Every economy needs to develop the industrial sector. It plays a vital role in the development of an economy and increases the GDP of the country. The given literature indicates that the industrial sector has a positive impact on the economic growth of an economy. Moreover, the existing literature is limited and most importantly inconclusive, there are little researches on slow industrial growth output.

METHODOLOGY

Industrial sector plays a vital role in the economic growth of a country. In Pakistan, there are many large- and small-scale industries. Pakistan had ineligible industrial base areas. It had mostly an agrarian economy and was industrially neglected. The contribution of small industries is can't be ignored. In KPK there are large- and small-scale units, and Kohat road is the central side of Peshawar city. To achieve the goal of this study we use secondary data on small industries and various sources including small scale economic survey of Peshawar industries.

Geographical Location

Kohat road length is 2.4 kilometre. Kohat roads industrial estate is located on the right side of Kohat road after the technical college. The city hospital and technical college are the nearest places of Kohat road industrial estate. The total area of Kohat road industrial estate is about 540 hackers.

Infrastructure

The infrastructure of the Kohat road is not too good because there are many large and small markets near the industrial estate which make big problems for the industrial estate. The Kohat road industrial estate road is broken from everywhere so, it is difficult for the loaded and heavy trucks to reach the industrial estate and export the product of the industry.

Importance of Kohat Road Industrial Estate

Kohat road has much importance locally, socially, and economically. Kohat road industrial estate is much importance because two main roads of Peshawar is linked with ring road, and city road which gives them much importance it can trade with Hayatabad industrial estate, and also international trade.

Table- 1
Details of Kohat Road Industrial Estate

Total	Total	Total
Constructed unit	Operational unit	Closed unit
124	71	53

There are 124 units in Kohat road industrial estate. 71 are operational, and 53 are closed. The total number of workers are in 1452. From 2002 -2013 Kohat road industrial estate faces many ups and downs. Many times, its production is increased but some burden of taxes on the producer and many other policies which decrease the production.

Table-2

Major Units of Kohat Road Industrial Estate Peshawar

Industry Name	Establishment Year	Capacity
Daud sons Armory	1963	1800 nos Annually
	1965	1700 Annually
Hamidullah and sons	1973	5000 nos Annually
Sarhad arms	1974	2100 Annually
Hajji Mir Alam Arms	1981	2200 nos Annually
Arifullah and sons	1985	5000 Annually
Hunter Arms co	1994	1200 Annually
Ghazi Engg	1996	3000 Annually
AM Ibrahim jee and sons	1997	1000 Annually
Moon star Arms	1998	3000 Annually
Habibia Engg	2002	2000 Annually
Royal Arms	2003	1500 Annually

There are 11 major units in Kohat road industrial estate. Daud sons' armory is the biggest unit of Kohat road industrial. Daud son's armory is the biggest exporter of arms and ammunition to the army.

DATA ANALYSIS

The manufacturing sector is the second-largest individual sector of the economy. This sector is very important for the economy of a country. There are many small-scale industries in KPK Pakistan. In Peshawar Kohat road industrial estate is the big industrial estate. In Kohat road, industrial estate many industries are big, and small as well. Manufacturing is the bedrock of the modern economy. Adequate and efficient means of economic growth is highly connected with industrial development. The industrial raw material and human resources to move up the ladders of economic development and distributive justice and political stability industrial estate. The govt. of KPK provide a budget too small scale industries for the development. In Peshawar, there is a large number of population so many employees in small scale industries.

Industrial Sector Share in GDP Growth Rate

- The share of the industrial sector was 5.8% in GDP growth rate in 2003-04.
- In 2005 the contribution is 9.9% it is increasing in this year but it is decline to 4.1% in 2006.
- In the year 2007, it is increasing but not too much.
- In 2008-09 there was a decline in the industrial sector toward the GDP.
- In the year 2012-11, the Industrial sector again contributes more to GDP as 4.9.

Contribution of KPK Budget To Kohat Road Industrial Estate

The govt of KPK contribute their budget share to Kohat road industrial estate for their development and Improvement. Every year KPK contribute their budget to industries which contribute chamber of commerce KPK to small scale industries e.g. Kohat road industrial estate.

Table- 3

Contribution of KPK Budget To Kohat Road Industrial Estate

Sector	Actual	Actual	Actual	Actual	Actual	Revised	Actual	Revised
Industries	2007-08	2008-09	2009-10	2010-11	2011-12	2011-12	2013-14	2013-14
	2.205	2.455	0.923	0.438	2.550	2.850	2.550	2.850

2012-13 Industry & commerce gets an allocation of 3.7% by KPK

In the industrial development of a country, the importance of the SME sector cannot be overemphasized. SME's constitute nearly 90% of all the enterprises in Pakistan; employ 80% of the non-agricultural labor force; and their share in the annual GDP is 40 %, approximately. The Kohat road industrial estate has improved day by day but their production is decreased. From 1962 to 2014 it faces ups and downs. In these years production is increasing but not so good.

From 1962-2002 govt give them a good share of the budget to this industrial estate and its production is increased and also contributes to the GDP. but in the year of 2002, there are many problems in KPK Peshawar. The most problems political instability so on one can easily invest the business in Peshawar. From 2002 to this time their production decreases and also face many problems.

In small scale industries, there is insufficient labor they have experienced no education about business. Small scale industries work in two shifts so their labor number is increasing. The KPK govt contribute their share for the labor department they do work hard and improve their growth.

Table-4

Labor Department Budget Contribution

Department	Budget	Budget	% Increase
Labor	2011-2012	2012-2013	
	84.96	95.27	12.13%

The table shows that KPK govt contribute their budget share to labor department for the development of the industrial sector which is increased to 12.13%.

Table-5

SME Details

SME Details	Number
Total Number of Firearms Unit	66
Employment	4500
Direct Employment	1500
Indirect Employment	3000
Number of Retail Arms & Ammunition Shops	150

In Kohat road industrial estate mostly industries produce sheet metal and ammunition. The table shows employment and each number of shops.

The policies of the KPK govt is not sufficient best for small scale industrial unit these policies affect the industrial output growth. The Govt is not giving them decent financial base no loan for the invest in the business, and the very high-interest rate which affects the industrial production. Heavy taxes on the import of machinery, and raw material, so they do not take interest in the business.

Achieving accelerated and sustainable industrialization is the foremost goal of the Government which can be met through capitalizing upon a nation's strengths and mitigation of its weaknesses. The govt of KPK provide financial help, the challenge for KPK is not to rediscover industrial policy but to re-deploy it in a more effective manner in the local and national context.

CONCLUSION

A broad swath of developed economies has seen slowdowns in measured labour productivity growth over the past decade. In contrast to the growth rate of 5.8pc recorded a year ago in Pakistan, the industrial sector grew 5.02 per cent in the outgoing fiscal year. The main aim of this research is to examine the small industrial output in Peshawar-Pakistan. This study is about the total units Kohat road 124 industrial estates and 71 are closed which has spawned many social evils such a phenomenal increase in smuggling, trade and macro-unemployed youths indulge in illegal commercial ventures. The results show that the contribution of small-scale industrial sector toward the socio-economic development of the province is not significant. Moreover, the main reasons are inconvenient location (away from the seaport), non-availability of skilled labor, inconsistent government policies, the dearth of local capital, lack of infrastructure and comparatively poor law and order situation, due to Afghan War, and operation in tribal areas. The industrial sector is very important for developed and developing countries. Any industry maybe it is big or small it plays a role in the development of a country. Every year the industrial sector contributes to the GDP of Pakistan. It's about 30% contribute to the GDP. Kohat road industrial estate is bid industry side of Peshawar KPK. The Kohat road industrial faces many problems. They suffer from taxes policies and economic restrictions.

Solution for the Problems

There are numerous problems of Kohat road industrial estate Peshawar. The study stresses the need to pay attention to small industries because the small scale is important for the economy. We must work to overcome the difficulties and enhance available opportunities for investment in small scale industries in Kohat road industrial estate. The industries by implementing a number of solutions. The most and important is facilizing the funding process for all project and their activities. The establishment of a special financial institution to cooperate with small scale industries. Make easy terms and affordable conditions for lending, in line with the capacity of those industries to comply with them.

Finally, the paper offers the following recommendations. First, the govt of KPK should provide a large share of their budget too small scale industries for improvement of their condition. Second, the govt should provide basic infrastructure facilities to accelerate industrial development in the provinces. Third, the govt should provide need-based skills (skilled manpower through SIDB Training Centers) to feed the local small industry base for better productivity and quality. Forth, the establishment of model projects in clusters to make the local industry more competitive. Fifth, encourage domestic and foreign investment in overall industrial development. Fifth, new markets for local product are explored and the quality of local products be improved to increase the demand abroad. Lastly, new technical universities and institution be established for the guidance of the labor and equip them with the modern techniques being used in the industry.

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